

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0015

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Postal Rate and Fee Changes, 1997 (Docket No. R97-1
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AMERICAN BEEKEEPING FEDERATION, INC.

BRIEF IN OPPOSITION

TO SPECIAL HANDLING RATE INCREASE

Daniel B. Weaver
Attorney

February 16, 1998

The United States Postal Service has requested, inter alia, a 220% Increase in Special Handling Rates, contending that revenues of this service do not meet the costs of providing Special Handling. The Evidence presented in support of the Postal Service Special Handling rate increase consists almost entirely of the testimony of Susan Needham, a Postal Service Economist. Ms. Needham's states that revenues generated by Special Handling fell off sharply after the Postal Service imposed a 200% Special Handling Rate Increase in 1995, as Customers availed themselves of less expensive alternatives to Special Handling Parcel Post. The American Beekeeping Federation does not quarrel with that assertion but would have the Commission note that there is no alternative to Special Handling Parcel Post for those of its members who ship or receive package bees (colonies of bees with queens contained in special shipping containers from which Beekeepers may start new hives of honeybees). See Affidavits of Weaver attached as Exhibits 1 to this Brief.

The American Beekeeping Federation takes issue with the naked assertion that Special Handling revenues do not cover Special Handling costs. Nowhere does Ms. Needham disclose the data or analysis, if any, that support the Postal Service's cost contentions, nor, in fact, even the cost figures used. The Federation would offer as evidence a SPECIAL HANDLING FEES handout developed by Ms. Needham and used as supporting documentation by her in a public address to the Queen and Package Bee Breeders meeting in conjunction

with the Federation Meeting in Colorado Springs. In that document referenced above and attached as Exhibit 2, Ms. Needham shows that Special Handling Volume has fallen off precipitously in recent years yet Total Cost has continued to rise. It strains credulity that, as Needham states in her Testimony (Excerpted as Exhibit 3), Special Handling volume declined 72% from 1995 to 1996 yet Total Special Handling Costs as shown in Exhibit 2 are increasing. When questioned about that issue in Colorado Springs Ms. Needham stated that the cost numbers were so suspicious that the Postal Service was planning a special study of Special Handling costs. Furthermore, Ms. Needham stated that the Total Cost System indicated that there was a significant use of Special Handling Mail by the Postal Service itself. See Exhibit 1, Affidavit of Weaver.

Clearly, it is intuitively troubling that volume could shrink by 72% yet total costs would continue to rise, and it is obviously unfair for a continually shrinking Special Handling Customer base to subsidize the Postal Service's use of an expensive special service. Meanwhile the Postal Service has such doubt in its own Cost numbers that it is planning a focused study of Special Handling Costs. Despite these doubts and obvious inconsistencies, the Postal Service predicates an exorbitant rate increase on suspicious cost figures. At best the Postal Service's proposed Special Handling rate increase is premature. The Postal Rate Commission should forestall any action on Special Handling rates until the Postal Service completes the planned Special Handling cost study. " (W)hen causal analysis is limited by insufficient data, the statute envisions that the Rate

Commission will 'press for better data' rather than 'construct an attribution' based on unsupported inferences of causation." National Ass'n of Greeting Card Publishers v. United States Postal Service., 462 U.S. 810, 827 (1983).

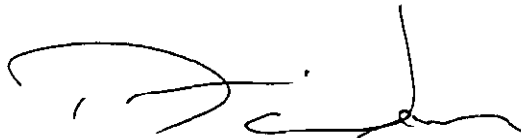
Considerations other than cost may inform and motivate the Commission's decision in this case. Special Handling Post is an invaluable service for beekeepers and others that depend upon bees for pollination. Package bee producers and their beekeeper customers would experience a serious adverse economic impact if the rate increase is approved, because there is no alternative service that will accept package honeybees and many package bee customers will undoubtedly abandon beekeeping if the unit cost of shipment exceeds the unit cost of the product. See Exhibit 1, Affidavit of Weaver.

Bees provide pollination for crops, wildflowers and trees. The economic value of pollination services provided by bees is difficult to calculate. Most informed estimates range from Billions to Tens of Billions of dollars. 129 American Bee Journal 411 (June 1989); 129 American Bee Journal 477 (July 1989). The ecological value of honeybees is even more incalculable. Honeybee populations have plummeted in recent years as a scourge of parasitic mites has eliminated large numbers of managed and feral colonies. Washington Post, (June 15, 1996); New York Times (June 16, 1997). The pollination previously provided by many managed and feral colonies has not occurred, causing economic loss and ecological disruption. Package bees provide a means for beekeepers to establish new hives of honeybees and are thus one of the principal means of restoring bee populations and the pollination services that

bees provide. A 220% Special Handling Fee increase, only two years after a similar 200% increase in 1995, will likely result in the elimination of a substantial portion of the package bee industry. Consequently, the ability of beekeepers to establish new hives, restore honeybee colony density and provide pollination services will be seriously impaired. See Exhibit 1, Affidavit of Weaver.

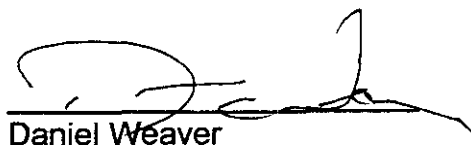
The American Beekeeping Federation respectfully requests that the Postal Rate Commission deny the Special Handling Rate Increase proposed by the United States Postal Service.

Respectfully Submitted,



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I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.


Daniel Weaver

February 18, 1998

Exhibit 1
AFFIDAVIT OF
BINFORD WEAVER

I am Binford Weaver, co-owner of B. Weaver Apiaries, Inc. in Navasota, Texas. I produce Package Bees for sale to the public. Package Bees are colonies of honeybees including a queen specially packaged in wood and wire cloth for shipment. Package Bees are used to establish new hives of honeybees by the recipient. Many of the packages I produce are shipped to my customer via Special Handling Parcel Post. I am opposed to the Postal Service request for a 220% increase in Special Handling Fees for several reasons.


First, allow me to point out that there is no available alternative mode of sending and receiving package bees in quantities of less than 100 units at reasonable cost. Consequently, many small and medium sized beekeepers depend upon Special Handling Mail as the only means of obtaining bees from which to establish new hives. A 220% increase in Special Handling Rates would have a devastating impact upon my business and upon my customer's ability to obtain bees, for many of the package bees I produce each Spring are shipped via Special Handling Mail, and such an exorbitant increase in the cost of shipment would undoubtedly make package bees unaffordable for those purchasing fewer than 100, or practically unavailable for those unable to truck bees themselves. A 220% rate increase would make the cost of shipment equal to or in excess of the cost of the unit product at today's market prices.

industry is more acute than ever. Two exotic mites have infested honeybee colonies throughout the United States. These parasites have decimated honeybee populations by killing both domestic and feral colonies. The resulting loss of pollination services previously provided by these insects has had a deleterious impact upon crops, backyard gardens, wildflowers, brush and trees, and upon the wildlife that depend upon these detrimentally affected species for food or shelter. The affordable provision of package bees to beekeepers can alleviate the bee shortages now being felt across the country and partially reverse the serious adverse economic and ecological impact of reduced numbers of honeybees colonies and the associated decline in pollination services.

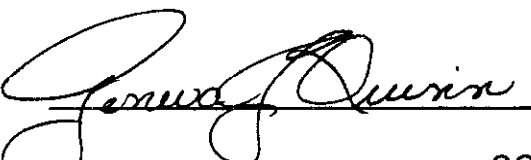
Finally, during the Federation Convention in Colorado Springs in January, I was privileged to hear Ms. Needham speak to the Queen and Package Bee Producers Group. During her presentation Ms. Needham indicated that Special Handling Revenues did not meet Special Handling Costs. When pressed to explain how costs had been calculated and how total costs could continue to rise when volume was falling, Ms. Needham stated that costs had been extracted from the Total Cost system but that the Postal Service was sufficiently suspicious of the cost figures that a plans were underway to conduct a special audit of Special Handling Costs. She also opined that she found it curious that the cost analysis revealed a significant amount of Special Handling use by the

Postal Service when there was no reason for the Postal Service to have done

so.


BINFORD WEAVER

BEFORE ME, THE UNDERSIGNED, ON THIS 17TH DAY OF FEBRUARY
1998, PERSONALLY APPEARED BINFORD WEAVER, ONE WELL KNOWN
TO ME, AND UNDER PENALTY OF PERJURY DECLARED THE FOREGOING
TRUE AND CORRECT.

 , NOTARY PUBLIC
COUNTY OF GRIMES
STATE OF TEXAS

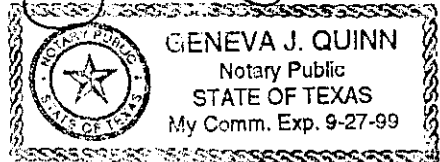




Exhibit 2

SPECIAL HANDLING FEES

AMERICAN BEEKEEPING FEDERATION
PACKAGE BEE & QUEEN BREEDERS



SPECIAL HANDLING

Overview

■ History

- Volume**
- Fee**

■ Fee Development

- Costs**
- Pricing Criteria**

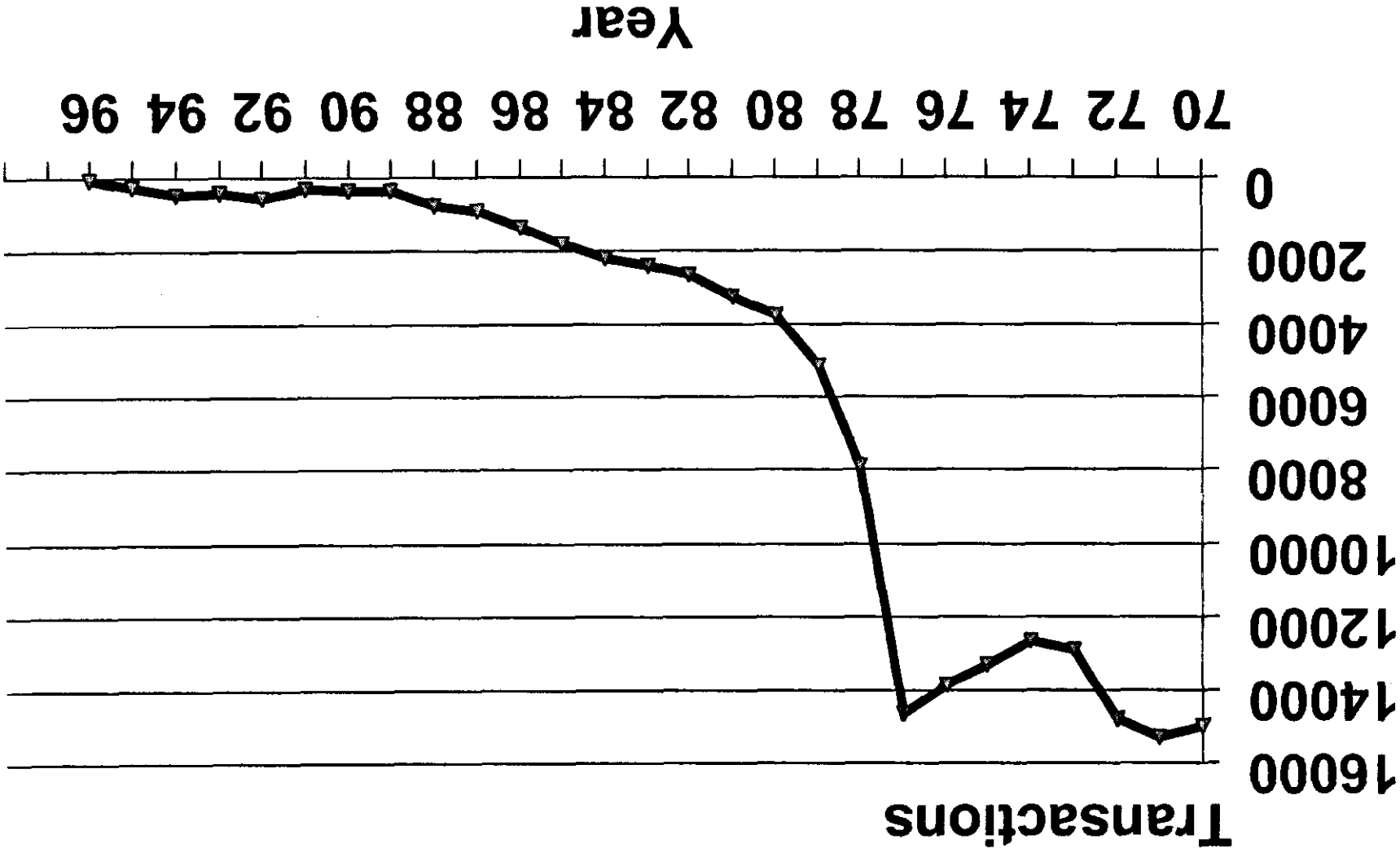
■ Future Fee Design

- Verification Of Postal Service Transactions**
- Special Cost Study**

■ Course Of Action For Beekeeping Federation



SPECIAL HANDLING Volume History





SPECIAL HANDLING

Fee History

- Fees Have Increased Eight Times Since 1970
- Largest Increase In 1995: 200%
- Second Largest Increase In 1976: 100% *
- 1985: Inter-BMC Non-machinable Parcels Fee Introduced
- 1988: Current Up To 10 lbs. Classification Introduced

** Cumulative Of Two Increases*



SPECIAL HANDLING

Fee History

FEE PROPOSAL BEFORE

THE POSTAL RATE COMMISSION (PRC)

Up To 10 Lbs.	\$5.40	\$17.25	219%
Over 10 Lbs.	\$7.50	\$24.00	220%



SPECIAL HANDLING

Fee Development - Costs

1996	1,136	397	35%
1997	1,165	575	49%
1998 *	1,283	1,310	102%

**** Implementation Forecast***



SPECIAL HANDLING

Fee Development - Costs

- **Changing Customer Base - Since 1995**
 - **Nearly All Is Live Animals & Insects**
 - **Movement To Other / No Alternatives**
 - **Only Most Costly Mailings Remain**



SPECIAL HANDLING

Fee Development - Pricing Criteria

■ USC 39, Sec 3622(b)

1) Fair And Equitable

**2) Value Of Service To Sender &
Recipient**

3) Cover Direct & Indirect, Costs *

4) Effect Of Rate Increases

*** Given Most Weight**



SPECIAL HANDLING

Fee Development - Pricing Criteria

- 5) Available Alternatives**
- 6) Degree Of Preparation In Reducing Costs**
- 7) Rate Structure Simplicity**
- 8) Educational, Cultural, Scientific, And Informational Value**
- 9) Such Other Factors As The PRC Deems Appropriate**



SPECIAL HANDLING

Future Fee Design

- **Verification Of Postal Service Transactions**
 - **Postal Service Percentage Of Total Transactions:**
 - 1995: 6%**
 - 1996: 18%**

■ **Special Cost Study**

- **Currently Total Cost is Extracted From Major Cost System**
- **Plans For Special Study Underway**



SPECIAL HANDLING

Course Of Action For Beekeeping Federation

■ Postal Rate Commission

1333 H Street NW

Washington DC 20268-0001

(202) 789-6800

– Commentor File

**– Limited Participant Intervention In Rate
Case Hearings**

N. Special Handling**1. Proposal**

The Postal Service proposes substantial increases to the special handling fees. The current fee of \$5.40 for special handling service up to 10 pounds is proposed to increase by 219 percent to \$17.25. The current fee of \$7.50 for special handling service over 10 pounds is proposed to increase by 220 percent to \$24.00. Table 14 below presents the current and proposed special handling fees.

Table 14 - Special Handling

<u>Description</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Percentage Change from Current to Proposed Fee</u>
Up to 10 pounds	\$5.40	\$17.25	219%
Over 10 pounds	\$7.50	\$24.00	220%

2. Description

Special handling is a special service that provides expedited handling during processing and transportation for Standard Mail subclasses. Special handling is required for Standard Mail subclasses containing live poultry, crickets, honey bees, and other items of that nature. The special handling fee varies with the weight of the article.

3. Volume Trends

Special handling volume has all but disappeared since Postal Reorganization. The 1970 special handling volume was 15 million pieces: in 1996, the volume was 67 thousand pieces. Throughout most of the 1970's special handling volume remained fairly constant, ranging between 13 to 15 million pieces annually. From 1978 to 1986 volume declined sharply, averaging 2 to 3 million pieces annually. From 1987 to the present, annual volume has continued to decline, remaining well below one million pieces. Special handling volume decreased 95 percent over the past 10 years and 78 percent over the past 5 years. From 1995 to 1996, special handling volume decreased 72 percent due to the substantial fee increase in 1995 to cover unit rising costs. A detailed volume history for special handling is presented in Library Reference H-187.

4. Revenue Trends

The revenue for special handling has declined significantly since Postal Reorganization. Throughout the 1970's, special handling revenue averaged approximately \$5 million annually. However, during the 1980's, revenue averaged \$2 million annually. Since 1990, annual special handling revenue has barely reached \$1 million in two of the years. Over the past 10 years, revenue decreased 76 percent and over the past 5 years, revenue decreased 34 percent.

1 From 1995 (one of the two years in the 1990's when revenue was \$1 million) to
2 1996, revenue decreased 62 percent. A detailed revenue history for special
3 handling is presented in Library Reference H-187.

4

5 5. Fee History

6

7 The fees for special handling have increased eight times since Postal
8 Reorganization. In 1976, special handling fees increased twice, representing a
9 100 percent cumulative increase in the fees for all three classifications (under 2
10 pounds, 2 to 10 pounds, and over 10 pounds). In 1978, the fee for under 2
11 pounds increased 40 percent and the fee for over 10 pounds increased 25
12 percent. In 1981, the fees for under 2 pounds and 2 pounds to 10 pounds
13 increased 7 percent, and the fee for over 10 pounds increased 4 percent. Also
14 in 1981, a special handling fee for inter-BMC non-machinable parcels was
15 introduced. In 1985, the fees for under 2 pounds and 2 pounds to 10 pounds
16 were increased 47 percent, the fee for over 10 pounds was increased by 23
17 percent, and the inter-BMC fee was increased 80 percent. In 1988, the under 2
18 pounds and 2 to 10 pounds classifications were combined into one category
19 (under 10 pounds) and the fee for that and over 10 pounds were increased 41
20 percent. Also in 1988, the inter-BMC fee was increased 28 percent. In 1991,
21 the under 10 pounds fee was increased 16 percent, the over 10 pounds fee was
22 increased 11 percent, and the inter-BMC fee was increased 30 percent. As a
23 result of Docket No. R94-1, in 1995 the fees for under 10 pounds and over 10

1 pounds were increased 200 percent and the inter-BMC fee was increased 178
2 percent. A detailed fee history for special handling is presented in Library
3 Reference H-187.

4
5 6. Fee Design

6
7 The proposed fees for special handling were developed to cover
8 attributable costs and provide as low an increase as possible.

9
10 7. Pricing Criteria

11
12 Although all applicable pricing criteria were considered in the
13 development of the special handling fees, considerable weight was placed upon
14 covering costs (Criterion 3) in the fee design. The unit costs for special handling
15 have more than tripled since the last omnibus rate case proceeding, Docket No.
16 R94-1. Consequently, the proposed fees reflect substantial increases, well in
17 excess of 200 percent, in order to reach a 102 percent cost coverage.

18
19 Special handling is of relatively high value to users of the service
20 (Criterion 2) because of the importance of expedited handling in the shipment of
21 live animals and insects. Also, available alternatives to special handling are
22 scarce, at best (Criterion 5).

1 The proposed fee structure maintains simplicity (Criterion 7). The
2 *proposed fees are rounded to 25-cent constraints.*

3
4 In developing the fees, Criterion 4 - consideration of the effect of the
5 substantial fee increase upon the users of this service - was seriously weighted
6 with the increased costs. Therefore, the fees were set to just cover the costs.
7 Although special handling may be of relatively high value to its users, the very
8 magnitude of the fee increase overrides serious consideration of increasing the
9 fees more to reflect the value of the service. From the perspective of those
10 shippers offering services identical to special handling, the substantial fee
11 increased proposed by the Postal Service should have nothing less than a
12 positive effect on their business. Based on the aforementioned pricing criteria,
13 the proposed fee schedule for special handling is fair and equitable (Criterion 1).

14
15 The Postal Service requests that the Commission consider a ninth
16 criterion: the erosion of the special handling service. For many years, special
17 handling has been caught in the same downward spiral that befell special
18 delivery. From 1995 to 1996 alone, special handling volume declined 72
19 percent and revenue declined 62 percent. However, unlike special delivery,
20 there are no viable alternatives to special handling offered with Standard Mail.
21 This, coupled with the fact that few alternatives exist in the marketplace, are the
22 main reasons why no consideration by the Postal Service is being given to
23 proposing elimination of this service. The Postal Service only seeks to recover

- 1 the costs for this service in the proposed fees, and realizes that this service is
- 2 important to maintain for those users who either cannot take advantage of
- 3 alternatives or would pay even more for alternatives.